

## Message Text

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ORIGIN NEA-09

INFO OCT-01 ISO-00 EB-07 COME-00 OPIC-03 TRSE-00 CIAE-00

INR-07 NSAE-00 /027 R

DRAFTED BY NEA/INS:RBMORLEY:JES

APPROVED BY NEA/INS:DKUX

COMMERCE:MADERHOLD (INFO)

EB/CBA:JGRAHAME (INFO)

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R 222020Z APR 75

FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI

INFO AMCONSUL BOMBAY

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E.O. 11652: DECONTROL DECEMBER 31, 1975

TAGS: BEXP, USINJC, IN

SUBJECT: PHOSPHORIC ACID PURCHASES

REF: STATE 88662

1. WE HAVE RECEIVED COPY OF CHASE LETTER DATED APRIL 7 AND DESCRIBED PARA 2 REFTEL. TEXT BEING POUCHED TO EMBASSY AND CONGEN TODAY. HIGHLIGHTS OF LETTER ARE SUMMARIZED IN FOLLOWING PARAGRAPHS.

2. LETTER IS ADDRESSED RODERICK RICHARDS, SECOND VICE PRESIDENT CHASE MANHATTAN BANK, N.A., AND SIGNED BY DAVID WEISBROD, ASSISTANT TREASURER, CHASE NEW YORK. ACCORDING TO THE LETTER, FREEPORT HAS PROPOSED TO IFFCO (POTHEN) THE CONSTRUCTION OF A NEW PLANT BY FREEPORT IN LOUISIANA WHICH WOULD MANUFACTURE PHOSPHORIC ACID. ABOUT 12 PERCENT (RPT 12 PERCENT) OF PLANT'S OUTPUT WOULD BE EARMARKED FOR INDIA. ESTIMATED TOTAL COST OF PLANT WOULD BE \$60 MILLION.

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FREEPORT THEREFORE LOOKING FOR GUARANTEE WHICH WOULD

COVER 12 PERCENT OF CONSTRUCTION COST, OR APPROXIMATELY \$7.2 MILLION.

3. FREEPORT'S POSITION IS REPORTED TO BE THAT INDIANS MUST DETERMINE FOR THEMSELVES A) WHETHER THE FREEPORT

SUGGESTION HAS SUFFICIENT ECONOMIC MERIT TO WARRANT DETAILED CONSIDERATION, AND B) WHETHER FUTURE WORLD SUPPLIES OF PHOSPHORIC ACID WILL BE RESTRICTED, THEREFORE NECESSITATING A GUARANTEED SUPPLY AS COULD BE PROVIDED VIA FREEPORT. IF THE INDIANS DECIDE THAT AMPLE PHOSPHORIC ACID WOULD BE AVAILABLE, THEY MAY CHOOSE RELY ON SPOT PURCHASES RATHER THAN LONG TERM CONTRACTS. ONLY AFTER IFFCO AND GOI HAVE DECIDED WHICH ROUTE TO FOLLOW WOULD THEY BE IN POSITION ENTER CONCRETE DISCUSSIONS WITH FREEPORT.

4. WEISBROD ALSO REPORTED IN LETTER THAT HE HAD DISCUSSIONS WITH OPIC, THAT OPIC WAS PREPARED CONSIDER INSURING AGAINST POLITICAL AND CERTAIN OTHER RISKS. (E.G., IFFCO COULD NOT OBTAIN DOLLARS TO HONOR ITS CONTRACT OR IFFCO PREVENTED BY GOI FROM HONORING ITS CONTRACT) BUT THAT OPIC WOULD NEED TO KNOW MORE ABOUT DETAILS OF PROPOSAL. FREEPORT (BUTTON) REPORTEDLY PURSUING THIS POSSIBILITY WITH OPIC. OPIC WOULD NOT INSURE AGAINST NORMAL COMMERCIAL RISKS (E.G., FINANCIAL COLLAPSE IFFCO), ACCORDING WEISBROD.

5. IN LETTER, WEISBROD EXPLAINS THAT, SHOULD IFFCO DECIDE ACCEPT FREEPORT PROPOSAL, CHASE COULD BE ASKED PARTICIPATE BY 1) WRITING PERFORMANCE LETTER OF CREDIT IN FAVOR FREEPORT (WHICH COULD IN TURN BE INSURED BY OPIC) AND 2) PROVIDING FINANCING FOR FREEPORT'S PLANT IN LOUISIANA.

6. WEISBROD ALSO NOTES IFFCO MIGHT PREFER NON-EQUITY INVESTMENT IN LOUISIANA PROJECT RATHER THAN COMMITTING ITSELF TO ACQUIRING PORTION FREEPORT'S OUTPUT OVER LONG TERM. FREEPORT APPARENTLY WILL NOT CONSIDER EQUITY INVESTMENT. IN THIS CASE, CHASE EXPECTS IT WOULD BE APPROACHED TO FINANCE SUCH AN INVESTMENT ALTHOUGH ITS LIMITED OFFICIAL USE

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TENOR WOULD PROBABLY BE BEYOND COMMERCIAL BANK RANGE AND OPIC INSURANCE WOULD PROBABLY NOT BE AVAILABLE. WEISBROD DID NOT INDICATE WHETHER CHASE WOULD BE PREPARED CONSIDER SUCH FINANCING.

7. LETTER REQUESTS RICHARDS INITIATE DISCUSSIONS WITH POTHEN ON PROPOSED IFFCO-FREEPORT ARRANGEMENT.

8. COMMENT: WE WERE SURPRISED TO FIND THAT FREEPORT ONLY  
SEEKING GUARANTEE FOR 12 PERCENT OF INVESTMENT OR \$7.2  
MILLION. BASED ON EMBASSY COMMUNICATIONS AND PREVIOUS  
DISCUSSIONS WITH BOTH CHASE AND FREEPORT, WE ASSUMED  
COMPANY WANTED GUARANTEE FOR ENTIRE CONTEMPLATED EXPENDI-  
TURE OF \$60 MILLION. WE WILL CONTACT BUTTON WHEN HE  
RETURNS TO OFFICE AND STRAIGHTEN OUT THIS POINT. KISSINGER

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PHOSPHATES  
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**Draft Date:** 22 APR 1975  
**Decaption Date:** 01 JAN 1960  
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**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** greeneet  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**Subject:** PHOSPHORIC ACID PURCHASES  
**TAGS:** BEXP, IN, USINJC  
**To:** NEW DELHI  
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